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**FISCAL IMPACT STATEMENT**

**LS 7382**

**BILL NUMBER:** HB 1477

**NOTE PREPARED:** Jan 2, 2003

**BILL AMENDED:**

**SUBJECT:** Vigo County Food and Beverage Tax.

**FIRST AUTHOR:** Rep. Kersey

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** ☒ **GENERAL**  
☐ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

LOCAL IMPACT	CY 2003	CY 2004	CY 2005
Local Revenues	710,000	1,780,000	1,860,000
Local Expenditures			
Net Increase (Decrease)	710,000	1,780,000	1,860,000

**Summary of Legislation:** The bill establishes a 1% Food and Beverage Tax for Vigo County. The bill provides that the County may use the tax revenue for: (1) constructing, renovating, and equipping a county courthouse; and (2) road improvements.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** *Summary:* The Department of State Revenue administers, audits, and collects local food and beverage taxes. For the year 2001, the Department administered, audited, and collected the Food and Beverage Tax at approximately \$0.51 per \$100 of revenue. The Department's current resources are sufficient to absorb the additional costs associated with this proposal.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Summary:* The bill gives the fiscal body of Vigo County the option to adopt an ordinance to impose the 1% Food and Beverage Tax. Upon adoption of an ordinance to the effect,

the fiscal body would be required to send a certified copy of the ordinance to the Department of State Revenue.

If the Food and Beverage Tax is imposed, the County would receive payments from the collection of the tax for construction, renovation, or equipment to improve the county courthouse or road improvements. The County would receive monthly payments of the Food and Beverage Tax from the Treasurer of State on warrants issued by the Auditor of State. Revenue from the Food and Beverage Tax received by the County from the Auditor of State would be placed in the County Food and Beverage Tax Receipts Fund (FBTRF).

**Explanation of Local Revenues:** *Summary:* The imposition of the Vigo County Food and Beverage Tax is estimated to generate revenue of \$710,000 for CY 2003, \$1,780,000 for CY 2004, and \$1,860,000 in CY 2005. The Food and Beverage Tax is an excise tax on food and beverages prepared and served for sale in the local unit imposing the tax. The tax rate would be 1% and would be collected and remitted in the same manner as the state Sales Tax.

*Background:* According to the most recent U.S. Census data, total food and beverage sales in Vigo County for CY 1997 were \$132,632,000. Based on this amount, the 1% Food and Beverage Tax would have generated an additional \$1,326,320 in CY 1997, or 1% of the total sales. Before projecting future revenues, this figure must be adjusted to reflect sales of prepared foods (such as those sold in supermarkets) which would be subject to the proposed tax but are not included in the U.S. Census data. In order to account for these prepared foods, an additional 10% adjustment to the \$1,326,320 projection is added to establish a CY 1997 baseline of \$1,459,000 for Vigo County.

The average growth rate of food and beverage-related total sales in Vigo County reported by the U.S. Census Bureau from CY 1992 to CY 1997 was approximately 2.8%. This rate was used to project sales of food and beverages through CY 2000. Based on recent economic performance, CY 2001 and CY 2002 collections were based on state Sales Tax growth rates of 1% and 2% respectively in those years. The base amount estimated for CY 2002 was \$1,636,000. Projected years of FY 2003-2005 were grown using the state Sales Tax estimated growth rates from the December 18, 2002 state revenue forecast. These growth rates include the effects of raising the state sales tax rate from 5% to 6% under HEA 1001(ss)-2002. Removal of the effects of the increased sales tax rate yields projected growth rates of 4.2% in FY 2003, 4.3% in FY 2004, and 4.9% in FY 2005. These rates (with the effects of the sales tax increase removed) were applied to the CY 2002 base of \$1.6 M to project revenue from CY 2003 - CY 2005. The CY 2003 projected base is \$1,705,000.

The effective date of the bill is upon passage. As a result, Vigo County could begin receiving revenue from food and beverage sales by August 2003. A three-month lag is applied from the effective date of the bill to account for the county to pass an ordinance and then set up the mechanisms necessary to begin receiving revenue. The actual expected impact for CY 2003 would be five-twelfths of the annual projection, or \$710,000 (5/12ths of the CY 2003 complete year estimate of \$1,705,000.) Complete year collection would begin in CY 2004.

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** Vigo County.

**Information Sources:** U.S. Census Bureau; Department of State Revenue.

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